



PARAMOUNT PICT. ASS. CORPORATION

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J.V.D.

DEAL MEMO

May 20, 1976, effective
as of February 6, 1976

Dino De Laurentiis Corporation
202 North Canon Drive
Beverly Hills, California

Attention: Norman Flicker

Gentlemen:

Following are principal terms of agreement with respect
to "KING KONG".

1. Picture

"KING KONG", based on original RKO property and
Lorenzo Semple, Jr., screenplay. The RKO-DDL
agreement as amended prior to February 17, 1976
shall be deemed attached hereto and no change shall
be made therein without Paramount approval, unless
such change does not affect Paramount.

2. Picture Elements

Producer, Dino De Laurentiis; director, John
Guillermin; major cast, Jeff Bridges, Jessica Lange;
schedule of principal photography, 23 weeks; budget
of not less than \$8,000,000 in direct costs and a
PG rating.

3. Principal Photography Start Date

January 15, 1976.

4. Picture Delivery Date

November 30, 1976 - DDL shall regularly keep PPC
advised on a current basis of any factors occurring
which could delay Delivery Date.

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5. Paramount Territory

U.S., territories, possessions, and Canada, including all flag sites in all media, all as set forth in the GYPSIES contract, but excluding the U.K..

6. Term of Distribution

Perpetuity.

7. Paramount Production Advance

This shall be \$4,000,000 payable as follows:

- (a) \$350,000 on November 26, 1975
- (b) \$350,000 on January 7, 1976
- (c) \$500,000 on January 14, 1976
- (d) \$500,000 on January 21, 1976
- (e) \$500,000 on January 29, 1976
- (f) \$500,000 on February 5, 1976
- (g) \$1,000,000 payable in equal weekly installments over the schedule of principal photography
- (h) \$300,000 on Delivery of the Picture

8. Division of Gross Receipts

Division of Gross Receipts from Paramount territory shall be as set forth in Schedule I.

9. Distribution Costs

Distribution costs incurred by Paramount shall be paid by Paramount and absorbed entirely by Paramount. Paramount shall not be obligated to spend any specific amount for prints and advertising but shall be obligated to advertise and promote the picture in a manner appropriate to its quality and marketability as determined by Paramount in good faith.

10. Advertising Campaign :

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PPC shall consult with DDL concerning campaign and prepare one campaign based on said discussions and meet with DDL and the assigned advertising agency. If DDL rejects the campaign, PPC will prepare a second campaign, and if DDL rejects the second campaign, PPC will prepare a third campaign. If DDL rejects the third campaign, PPC will give good faith consideration to DDL views, but would not be obligated to do another campaign, and the final decision regarding the campaign, would be in PPC.

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11. Music

The provisions of the GYPSIES contract shall apply.

12. Merchandising Rights

- (a) Subject to agreement dated August 29, 1975, as amended between RKO and DDL, all merchandising rights secured by DDL thereunder shall be exclusively exercisable by Paramount in Paramount territory provided that Paramount shall be responsible for compliance with RKO-DDL agreement such as securing RKO approval of form of merchandising agreement, copyrighting all merchandising containing character King Kong in RKO name, and securing approval of quality of merchandise containing character King Kong, all as more fully set forth in said RKO-DDL agreement.
- (b) Paramount's gross receipts after deduction of its costs, (including 20% fee), shall be gross receipts hereunder as between PPC and DDL. To the extent that agreements with RKO, Universal and Major R. Cooper do not allow Paramount's 20% fee to be included in costs, Paramount's gross receipts shall not be subject to such deduction as to whichever of them do not allow such deduction.
- (c) To extent Major R. Cooper is granted a share of merchandising receipts, such share shall be an off top deduction from gross receipts as between PPC and DDL provided that PPC shall have approval thereof and hereby approves grant of 7% of gross receipts from merchandising receipts to Major R. Cooper.

13. Deleted.

14. Deleted.

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15. DDL - PPC Credits - Advertising

- (a) DDL shall have a presentation or production credit 35% of the height, width and thickness of regular title (after consultation with Paramount) above the regular title and in the same color and style of type as the regular title; provided that if there shall only be one title, such credit need not be in the same color and style of type as such title. Paramount shall have a release credit in the customary position with respect to DDL-PPC pictures. With respect to Paramount's standard provisions for excluded credits, Paramount shall not be obligated to furnish DDL a presentation or production credit provided that if said credit is not furnished, Paramount may not utilize a release credit and shall be limited solely to the use of its logo in such excluded advertisements. Paramount's standard exclusions are attached as Schedule II to this letter.
- (b) DDL shall have the right to use all of Paramount's ad campaign material and trailers outside the Paramount territory; provided, however, that with respect to trailers, Paramount would permit DDL access to pre-print materials but all costs in connection with prints would be paid by DDL; provided, further, that with respect to ad campaign materials, Paramount would permit DDL access thereto but all costs of reproduction thereof would be paid by DDL.

16. Publicity and Stills

Paramount shall reimburse DDL 1/2 of the salary, fringes, and appropriate expenses of a unit publicist and a still photographer for services rendered exclusively on KING KONG, and Paramount shall have full rights to use all such material in Paramount territory.

17. Deleted.

18. Universal

- The essential financial participation are outlined in Schedule I. relating to Universal

19. Licensing to TV

PPC shall not release Picture on free TV prior to 3 years after date of release of Picture, provided that if gross receipts from PPC territory equal or exceed \$25,000,000 within said three-year period, then such release shall not be prior to 5 years after date of release of Picture. Notwithstanding the foregoing, in the event Universal Produces a picture based on the story KING KONG, Paramount shall have the right to release Picture on free TV prior to the earliest date on which Universal will have the right to release its KING KONG picture to television under the January 23, 1976 Agreement between DDL and Universal.

20. Investment Tax Credit

PPC and DDL shall each be entitled to claim their respective share of the Investment Tax Credit, which in the case of PPC shall be based on PPC's \$4,000,000 Production Advance hereunder.

21. Legal and Insurance Costs

(a) DDL and PPC shall add their respective legal and insurance cost to the negative cost of the picture subject to terms of RKO-DDL agreement relating to negative cost and the certification of same.

(b) DDL and PPC shall each recoup their respective legal and insurance cost from their shares of gross receipts.

22. Treatment of TV Receipts

PPC standard practice with respect to accounting for TV gross receipts shall be applicable (i.e.: payment shall be made with statement for period in which telecast occurs). If DDL shall be indebted to PPC for any monies, and PPC shall actually receive any payment from a television network sale, Paramount will not demand repayment of such indebtedness, nor charge interest on such indebtedness to the extent of DDL's share of such TV gross receipts, and if DDL requests, DDL's share of such network payment shall be applied to and reduce the amount of such indebtedness. A001317

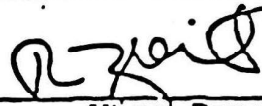
23. Statements from PPC to DDL may be on a billings or collection basis, and Paramount shall have the right to change the method from time to time, so long as such procedure shall apply generally to other pictures then being distributed by Paramount. In the event a statement is on a billings basis, Paramount shall have the right in subsequent statements to make adjustments for uncollected bills.

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The parties shall negotiate the balance of the terms in good faith and to the extent agreed upon such negotiated terms shall apply; otherwise the applicable provisions of the agreement between PPC and DDL relating to KING OF THE GYPSIES shall apply.

Very truly yours,

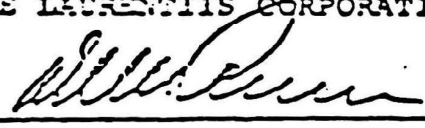
PARAMOUNT PICTURES CORPORATION

By 

 Vice President

Agreed:

DINO DE LAURENTIIS CORPORATION

By 

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SCHEDULE I

DIVISION OF GROSS RECEIPTS

1. Gross Receipts received by PPC from its territory shall be payable as follows:
 - a. To RKO, 3% of PPC gross receipts until world wide gross equals breakeven at 250% of certified negative cost, all as defined in RKO-DDL agreement and thereafter, 10% of PPC gross receipts. PPC agrees to accord to RKO the rights provided for in Exhibits A, B and C of RKO-DDL agreement.
 - b. To Universal, 7-1/2% of PPC gross receipts in excess of \$6,000,000 until world wide gross equals actual breakeven determined by deducting from gross, a distribution fee of 17-1/2%, all costs of distribution incurred by PPC and other territorial distributors, and DDL recoupment of negative cost and interest. Thereafter, PPC to pay 11-1/4% of its gross receipts. Gross receipts and deductions therefrom shall all be as defined in U-DDL agreement dated January 23, 1976. A copy of U-DDL agreement shall be attached hereto and no change shall be made in such agreement without prior Paramount written approval, unless such change does not affect Paramount. Paramount agrees to accord to Universal the rights provided to be accorded to Universal by Paramount in the U-DDL Agreement.
 - c. To Major R. Cooper (if agreement is executed), 7% of merchandising gross receipts after deduction of PPC merchandising costs to extent permitted by agreement with Major Cooper.
2. Gross Receipts received by PPC from its territory after payments provided in Schedule I, Paragraph 1 above, shall be divided between DDL and PPC as follows:
 - a. Paramount shall retain 100% of the 1st \$10,000,000 of Gross Receipts A001319
 - b. DDL shall be paid 100% of next gross receipts from \$10,000,000 to \$12,000,000
 - c. 65% of Gross Receipts from \$12,000,000 to \$21,000,000 shall be retained by Paramount and 35% thereof shall be paid DDL.
 - d. Gross Receipts in excess of \$21,000,000 shall be divided by Paramount retaining 50% thereof and paying DDL 50% thereof.

Schedule I - Page 2

3. DDL shall prepare and furnish to RKO and PPC, consolidated statements of world wide gross receipts, and DDL shall also furnish to PPC copies of statements received from its sub-distributors. When world wide gross receipts as reported exceed 250% of the negative cost, breakeven shall be deemed to have occurred for purposes of the DDL-RKO agreement.
4. DDL shall prepare and furnish to U and PPC consolidated statements based on distribution fees and distribution costs incurred by PPC or other distributors, and recoupment of RKO gross and DDL negative cost plus interest and when such statements specify actual breakeven has occurred, increased percentage to U will be thereafter payable. PPC shall furnish DDL with requisite information with respect to Paramount territory to enable DDL to prepare consolidated statement.
5. DDL shall be fully responsible for all net and gross participations, and deferments, payable to 3rd parties except R Universal, or Cooper participation, which shall be handled as aforesaid.

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SCHEDULE II

ADVERTISING EXCLUSIONS

Paramount's exclusions:

The obligation to accord DDL credit in advertisements shall apply only to paid advertisements issued by Paramount or under its direct control relating primarily to the Picture and shall in no event apply to so-called "teaser" and "special" advertising, publicity and/or exploitation relating to the Picture or screenplay upon which the Picture is based, any members of the cast, the authors, directors, producers or similar matters; to so-called "trailers" or other advertising by radio or television of less than 30 seconds in length; to institutional, group or list advertising; to other advertising not relating primarily to the Picture; to narrative form; to newspaper or other periodical advertisements of four (4) inches in height or less; to by-products, merchandising products or commercial tie-ups; or to advertising of such nature that DDL has not granted consent to the use of DDL's name in connection therewith. Notwithstanding anything to the contrary in said credit obligation, there shall be no obligation whatsoever to accord DDL credit of any kind in any so-called "Award Ads" (including consideration, nominations or congratulations for an award) relating to any other person involved with the Picture.

Artwork title provision:

With respect to any obligation to accord credit in paid advertising, if the title of the Picture or the title and the name(s) of one or more of the stars of the Picture is used more than once in such paid advertising, i.e., a so-called "regular" use and a so-called "artwork" use (such as, for example, the weaving of the title and/or the name(s) of the star(s) as part of the background of the advertisement or a display use or a fanciful use), the references herein to the title of the Picture and/or the name(s) of the star(s) of the Picture shall be to the so-called "regular" use of the title or the name(s) of the star(s) as distinguished from the "artwork" use of the title or the name(s) of the star(s).

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